

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 INRE-00 NSCE-00 SSO-00 HEW-08

SCI-06 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 FRB-03

H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00 NSC-07 PA-04

RSC-01 AID-20 CIEP-03 SS-20 STR-08 TAR-02 TRSE-00

PRS-01 SP-03 OMB-01 SWF-02 DRC-01 /180 W

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 4156

C O N F I D E N T I A L OTTAWA 2462

E.O. 11652: GDS

TAGS: EAGR, CA

SUBJECT: DES AND BEEF

REF: STATE 168567

1. MINISTER OF EXTERNAL AFFAIRS MITCHELL SHARP RECIEVED ME AT THREE P.M. TODAY. AFTER DISCUSSING OTHER PROBELS BRIEFLY, I SAID I HAS ASKED TO SEE HIM, AS HE WAS AWARE, WITH THE EXCEPTION AND HOPE THAT HE COULD TELL ME THAT THE CANADIANS HAD ACCEPTED OUR PROPOSAL FOR THE CERTIFICATION OF BEEF AND THAT WE COULD RECOMMENCE EXPORTING TO CANADA. I SAID THAT AS HE KNEW THE BAN ON DES-FED CATTLE HAD BEEN STRESSED BY HIM AND OTHER HIGH CANADIAN OFFICIALS AS THE SOLE BASIS FOR THE BAN ON US CATTLE.

2. SHARP SAID HE HAD INDEED SOMETHING TO SAY TO ME, AND HE WOULD BEGIN BY TELLING ME THAT OUR PROPOSAL FOR CERTIFICATION WAS "GENERALLY ACCEPTABLE" TO THE CANADIAN GOVERNMENT. HOWEVER, THEY HAD ALSO TAKEN TWO ADDITIONAL STEPS TO REGULATE THE SUPPLY OF
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BEEF, AND THESE ADDITIONAL MEASURES WOULD APPLY

TO ALL OTHER COUNTRIES, INCLUDING AUSTRALIA AND NEW ZEALAND. THE FIRST MEASURE INVOLVED A PRICE SUPPORT FOR CATTLE PRODUCERS, AND THE SECOND WAS A QUOTA TO CONTROL IMPORTS OF LIVE CATTLE AND FRESH AND FROZEN BEEF INTO CANADA. THIS WOULD PERMIT SUCH PRODUCTS TO COME IN ON THE BASIS OF A FIVE-YEAR AVERAGE OF IMPORTS OVER THE PERIOD 1969 AND 1973 INCLUSIVE.

3. SHARP SAID THAT THESE LATTER MEASURES HAD LONG BEEN DISCUSSED AND WERE DECIDED IN A HEATED CABINET MEETING ON THURSDAY.

4. I REPLIED THAT THEY HAD NOT BEEN DISCUSSED WITH US. WE APPRECIATE THEIR MOVE IN ACCEPTING THE CERTIFICATION PROPOSAL SET UP BY OUR DEPARTMENT OF AGRICULTURE, BUT THESE NEW RESTRICTIONS WERE ANOTHER MATTER. I SAID THAT I WOULD RECOMMEND THEM TO HIM RIGHT THEN AND THERE THAT THE GOC MAKE THE ANNOUNCEMENT ON THE CERTIFICATION DECISION AND WITHHOLD ANNOUNCING OR APPLYING THE QUOTA RESTRICTIONS UNTIL WE COULD CONSULT WITH THEM. SHARP SAID HE COULD NOT DO THIS, THAT THE DECISION HAD BEEN MADE, AND THERE IT WAS.

5. I HAD FIGURES WITH ME WHICH SHOWED THAT THE FIVE-YEAR AVERAGE WAS PARTICULARLY DISCRIMINATORY AGAINST THE US, AND I READ THEM TO HIM. HE SEEMED TAKEN ABACK, ESPECIALLY WHEN I POINTED OUT THAT WHILE OUR EXPORTS TO CANADA OF LIVE CATTLE BEEF AND VEAL IN 1973 AMOUNTED TO \$148 MILLION IN VALUE, HIS FIVE-YEAR FORMULA WOULD AVERAGE THIS OUT AT A QUOTA LEVEL OF \$59 MILLION PER YEAR. BEING CONFRONTED BY THIS DECISION AND THEIR MANNER OF DOING IT, I SAID, MADE ME FEEL THAT I HAD RECEIVED SIMULTANEOUSLY A PAT ON THE HEAD AND A KICK IN THE PANTS, AND I SAID I FELT SURE THERE WOULD BE A MARKEDLY ADVERSE REACTION IN WASHINGTON.

6. I ASKED HIM AGAIN TO ISSUE THE ANNOUNCEMENT ABOUT ACCEPTANCE OF CERTIFICATION AND TO WITHHOLD THE

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OTHER ASPECTS OF THEIR DECISION UNTIL WE COULD CONSULT WITH THEM. HE AGAIN REFUSED, SAYING HE COULD NOT DO THAT. HE REPLIED THAT THEY HAD FELT IT NECESSARY TO ESTABLISH A QUOTA WITHOUT DELAY BECAUSE THEY HAD INFORMATION TO THE EFFECT THAT ACCEPTANCE OF CERTIFICATION ALONE WOULD RESULT IN AN IMMEDIATE FLOOD OF AMERICAN CATTLE INTO THE CANADIAN MARKET. I POINTED OUT THAT A SATISFACTORY HOLDING ACTION

WOULD HAVE BEEN TO STATE SIMPLY THAT, TO PREVENT EXCESSIVE IMPORTS OF CATTLE AND MEAT, THEY INTENDED TO DISCUSS THEIR DESIRE TO IMPOSE A QUOTA. IF THEY HAD HANDLED THINGS THAT WAY, I COMMENTED, THE MATTER WOULD BE MORE MANAGEABLE THAN NOW SEEMS LIKELY. HE SAID THE GOC BELIEVED THAT ANY DELAY AFTER ANNOUNCING RESUMPTION OF IMPORTS ON THE BASIS OF THE CERTIFICATION PROCESS WOULD HAVE CAUSED THE COLLAPSE OF THE CANADIAN MARKET. I SAID IT SEEMED HARD TO IMAGINE SUCH A COLLAPSE OCCURRING BEFORE CATTLE STARTED TO ENTER UNDER ARRANGEMENTS WE MIGHT HAVE ARRIVED AT HAD THERE BEEN CONSULTATION.

7. I MADE IT CLEAR TO HIM THAT EVERYONE WOULD READ INTO THEIR ACTION WHAT SOME HAD PREVIOUSLY SUSPECTED, WHICH WAS THAT THE DES ISSUE WAS ACTUALLY A GIMMICK. HE DID NOT RESPOND.

8. WE WILL DISCUSS THIS MATTER HERE AMONG OURSELVES AND WILL PLACE BEFORE THE DEPARTMENT AND AGRICULTURE ANY COURSE OF ACTION WHICH SEEMS LIKELY TO HAVE A USEFUL EFFECT. PRELIMINARILY, I WOULD SUGGEST THAT WE NOT ACCEPT THE ARRANGEMENT THEY ENVISAGE UNDER THEIR NEW QUOTA SYSTEM WHICH WOULD PERMIT THE CANADIANS TO MAINTAIN THEIR EXPORTS TO THE US AT THE \$133 MILLION LEVEL WHILE CHOPPING OUR EXPORTS TO THEM FROM \$148 MILLION TO THE \$59 MILLION LEVEL.

9. I ALSO SUGGEST, AS FAR AS STATEMENTS TO THE PRESS ARE CONCERNED, THAT WE LIMIT OURSELVES FOR TIME BEING TO SAYING THAT CANADIAN ACCEPTANCE OF THE CERTIFICATION PROCESS SEEMED A STEP IN THE RIGHT DIRECTION UNTIL WE LEARNED THAT QUOTAS WHICH
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WOULD SHARPLY CUT OUR EXPORTS TO CANADA WERE TO BE IMPOSED AND WITHOUT ANY CONSULTATION WITH US.

10. REFTTEL ARRIVED AFTER I MET WITH SHARP, BUT, AS YOU WILL NOTE, MY REACTION WAS ALONG THE LINES SUGGESTED IN IT. WE WILL AWAIT WITH INTEREST EFFECTS OF YOUR EXAMINATION OF THE CANADIAN ACTION. WE ARE SUPPLYING TEXTS OF GOC ANNOUNCEMENTS AND ANSWERS TO QUESTIONS IN PARA 1 REFTTEL IN FOLLOWING TELS.
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